



# **The Commonwealth of Massachusetts**

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## **DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

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BAY STATE GAS COMPANY  
D.T.E. 05-27

### **FIRST SET OF INFORMATION REQUESTS OF THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY TO THE DIVISION OF ENERGY RESOURCES**

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Pursuant to 220 C.M.R. § 1.06(6)©, the Department of Telecommunications and Energy ("Department") submits to The Division of Energy Resources ("DOER") the following Information Requests:

#### INSTRUCTIONS

The following instructions apply to this set of Information Requests and all subsequent Information Requests issued by the Department to the Local in this proceeding.

1. Each request should be answered in writing on a separate, three-hole punch page with a recitation of the request, a reference to the request number, the docket number of the case and the name of the person responsible for the answer. Do not wait for all answers to be completed before supplying answers. Provide the answers as they are completed.
2. The term "PBR" shall mean performance-based regulation plan; the term "PCI" shall mean price cap index; the term "O&M" shall mean operations and maintenance; and "Bay State" or "Company" shall refer to Bay State Gas Company.
3. These requests shall be deemed continuing so as to require further supplemental responses if the Local or its witness receives or generates additional information within the scope of these requests between the time of the original response and the close of the record in this proceeding.
4. The term "provide complete and detailed documentation" means:

Provide all data, assumptions and calculations relied upon. Provide the source of and basis for all data and assumptions employed. Include all studies, reports and planning documents from which data, estimates or assumptions were drawn and support for how

the data or assumptions were used in developing the projections or estimates. Provide and explain all supporting work-papers.

5. The term “document” is used in its broadest sense and includes, without limitation, writings, drawings, graphs, charts, photographs, phono-records, microfilm, microfiche, computer printouts, correspondence, handwritten notes, records or reports, bills, checks, articles from journals or other sources and other data compilations from which information can be obtained and all copies of such documents that bear notations or other markings that differentiate such copies from the original.
6. If any one of these requests is ambiguous, notify the Hearing Officer so that the request may be clarified prior to the preparation of a written response.
7. Please file one copy of the responses with Mary Cottrell, Secretary of the Department and on all parties; also submit one (1) copy of the responses to Caroline M. Bulger, Hearing Officer, seven (7) copies of the responses to A. John Sullivan, Rates and Revenue Requirement Division, and one (1) copy to Alex Kofitse, Gas Division.
8. In addition to filing, all non-proprietary responses should be submitted by e-mail to [caroline.bulger@state.ma.us](mailto:caroline.bulger@state.ma.us), [dte.efiling@state.ma.us](mailto:dte.efiling@state.ma.us), and to the e-mail address of any party required to be served.

### INFORMATION REQUESTS

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| DTE-DOER-1-1 | Refer to the direct testimony of Mr. Pereira, at 3. Please explain the meaning of the statement “the relatively riskless nature of gas distribution”, and indicate whether the statement specifically applies to Bay State’s PBR proposal in the instant proceeding, or to the gas distribution industry in general. |
| DTE-DOER-1-2 | Refer to the direct testimony of Mr. Pereira, at 3 and Exhibit DOER-AEP-1. Please demonstrate that there is a statistical relationship between the earnings sharing “bandwidths that have been approved elsewhere” and the “relative riskless nature of gas distribution” in those jurisdictions.                    |

- DTE-DOER-1-3 Refer to the direct testimony of Mr. Pereira, at 4-6. Please:
- (a) provide evidence to show how existing capital or “sunk” costs have been treated in PCI plans in other jurisdictions; and
  - (b) provide those “cases where a PBR has been applied to a portion of the Company’s costs due to lack of unavailable data.”
- DTE-DOER-1-4 Refer to the direct testimony of Mr. Pereira, at 4-7. Please:
- (a) reconcile Mr. Pereira’s statement that “[a] PBR plan is an incentive mechanism that is **applied to all costs in order to provide incentives for efficiency gains through investment in and substitution among all inputs** (emphasis added)” with his proposal that Bay State’s PCI plan should be applied to only O&M costs; and
  - (b) discuss how costs, other than O&M costs, should be treated in the PCI plan, and how such treatment would “provide incentives for efficiency gains through investment in and substitution among all inputs.”
- DTE-DOER-1-5 Refer to the direct testimony of Mr. Pereira, at 7. Please discuss how the PCI formula proposed by Mr. Pereira is consistent with (1) Department precedent, and (2) PCI plans in other jurisdictions. Provide evidence to support your answer.
- DTE-DOER-1-6 Refer to the direct testimony of Mr. Pereira, at 7. Please provide the justification for Mr. Pereira’s proposal that “the rest of the Company’s costs” be subject to a rate freeze. Discuss the effect(s) that such a proposal will have on the Company’s operations, including any effects on service quality and service reliability. Provide relevant economic and financial analyses to support your answer.
- DTE-DOER-1-7 Refer to the direct testimony of Mr. Pereira, at 9, lines 22-29. Please discuss how Mr. Pereira’s proposal provides the Company with sufficient incentives “to pursue productivity-enhancing investments and costs” under the proposed PBR plan if a “75% to shareholders and 25% to ratepayers split should only be applied after any initial savings have been passed to the Company’s customers”, and “ratepayers should not have to be charged for any deficiencies in earnings due to the relative riskless nature of Bay State’s rate proposal.”

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- DTE-DOER-1-8      Refer to the direct testimony of Mr. Pereira, at 9. Please explain how the earnings sharing mechanism proposed by Bay State “provides the Company with incentives to go after “easy” dollars first and more difficult, revolutionary savings measures last.” Give examples of what Mr. Pereira means by ““easy” dollars” and “difficult, revolutionary savings measures”.
- DTE-DOER-1-9      Refer to the direct testimony of Mr. Pereira, at 3 and 9. Please provide the basis for Mr. Pereira’s assertion that “the potential for ratepayers to actually capture savings or productivity improvements that would result from a rate-indexing PBR or rate freeze is extremely low.” If this is the case, what is the basis for Mr. Pereira’s support for “the use of a PBR mechanism in this case”?

DATED: July 27, 2005